



April 29, 2014

**Internal Controls and Transportation
Associated with the Des Moines, IA,
Mail Transport Equipment Service Center**

Report Number NO-AR-14-003

BACKGROUND:

The mail transport equipment service center (MTESC) network is composed of 15 contractor-operated centers that handle, supply, and transport mail transport equipment (MTE) to mail processing facilities and U.S. Postal Service customers. The Des Moines, IA, MTESC spends about [REDACTED] annually to service 46 Western Area facilities and mailers. Our objective was to assess internal controls and dedicated transportation activities associated with the Des Moines MTESC.

WHAT THE OIG FOUND:

The Postal Service needs to improve controls over MTE operations and transportation at the Des Moines MTESC and its processing facilities. Management did not adequately control contractor processing, invoicing, repairing, and handling of MTE; adequately monitor contractor performance; and always secure its operations. In addition, facilities were not complying with MTE policies by sending non-MTE, such as shoring straps, to the MTESC. Some facilities were not inspecting MTE for mail before sending it to the Des Moines MTESC, which could cause delayed or undelivered mail.

We also found some facilities were purchasing cardboard containers

instead of ordering them from the Des Moines MTESC. These conditions occurred because the Postal Service did not provide sufficient oversight to ensure compliance with its policies. Also, facilities were short-staffed and were forced to give processing mail priority over managing MTE. Finally, we identified cancellations and additions of MTE transportation that occurred because of ongoing operational changes and realignment of the processing network.

We estimate the Postal Service incurred about \$359,000, \$708,000, and \$204,000 in unnecessary costs in fiscal years 2012, 2013, and 2014, respectively, and could avoid about \$636,000 annually over the next 2 years by providing adequate oversight and ensuring compliance with policies.

WHAT THE OIG RECOMMENDED:

We recommended the vice presidents, Network Operations and Supply Management, establish adequate controls over contractor performance and ensure MTE is protected. We also recommended the vice president, Western Area, ensure compliance with MTE policies for proper ordering, handling, and transporting of MTE; and reassess MTE and transportation requirements to ensure efficiency.